

STATE FINANCE COMMITTEE  
OLYMPIA, WASHINGTON

April 18, 2000

The State Finance committee met in special meeting after notice duly given to the press and radio of Thurston County.

Present: Michael J. Murphy, State Treasurer  
Brad Owen, Lieutenant Governor

Also Present: Dan Gottlieb, Gottlieb, Fisher & Andrews, PLLC  
Dean Torkelson, Seattle Northwest Securities  
Svein Braseth, Office of the State Treasurer  
Rob Shelley, Seattle Northwest Securities  
Doug Montague, Montague DeRose & Associates  
Jeanne Cushman, Office of the Attorney General  
Mike Clarey, Office of the State Treasurer  
Marie Ruthford, Office of the State Auditor  
Gretchen Gale, Office of the State Treasurer  
Sue Melvin, Office of the State Treasurer  
Martin Reynoso, Office of the State Treasurer  
Barton Potter, Office of the State Treasurer  
Jon Gores, Seattle Northwest Securities  
Ryan L. Swanson, Seattle Northwest Securities  
Vicki Cox, Office of the State Treasurer  
Dave Smith, Hoquiam School District  
Teresa A. Nichols, Hoquiam School District  
Tom Jensen, First & Goal Inc.  
Ron Zier, Carbonado Historical School District  
Buster Brown, First & Goal Inc.  
Annette Sommer, Seattle Northwest Securities  
Linda Byrnes, Arlington School District  
Shad Pruitt, Office of the State Treasurer  
Steve Peterson, Arlington School District  
Susan McGuire, White River School District  
Jim Hambly, White River School District  
Mike Maryanski, Tahoma School District  
John McNaughton, Tahoma School District  
Joe Vreeburg, Tahoma School District  
Stan Tufts, Tahoma School District  
Mike Roberts, Office of Financial Management  
Jack Eaton, Bank of America Securities LLC  
Allan J. Martin, Office of the State Treasurer

Chairman Murphy called the meeting to order.

Lt. Governor Owen moved the minutes for the March 16, 2000 meeting be approved. Chairman Murphy seconded the motion. The motion passed and the minutes were adopted.

Chairman Murphy said Resolution No. 915 removes the interim appointment and “Acting” title for Deputy State Treasurer Allan Martin and makes the records reflect the current duties.

Mr. Martin presented proposed Resolution No. 915 to the committee.

Resolution No. 915 removes the interim appointment of Allan J. Martin as secretary of the State Finance Committee, appoints him as secretary, and sets forth the duties and responsibilities of said secretary.

Lt. Governor Owen moved to adopt Resolution No. 915. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 916 accepts the bid for the purchase of the State of Washington General Obligation Bonds, Series 2000S-4; amends Resolution No. 914 to establish and confirm the date, form, maturities, and interest rates of the Series 2000S-4 Bonds; provides for the issuance and delivery of the Series 2000S-4 Bonds; and ratifies all actions taken in connection with the Series 2000S-4 Bonds consistent with the provisions of Resolution No. 914, as amended. The Series 2000S-4 Bonds are current interest bonds. The interest on the Series 2000S-4 Bonds will be paid semi-annually on the outstanding principal. Together, the debt service payments of Series 2000S-4 Bonds and the Series 2000S-5 Bonds are structured to correspond with the estimated revenues of the stadium project.

Chairman Murphy said he has seen the state’s credit rating fluctuate over the years, but noted this was the first time a rating agency had reported this state had “increasing diversification away from aerospace dominance...”. He read a portion of the Fitch rating report for Series 2000S-4 and Series 2000S-5 giving a AA+ rating.

Mr. Martin said five bids were received. Bank of America submitted a true interest cost (TIC) of 5.3822361%; Lehman Brothers submitted a TIC of 5.4293908%; Merrill Lynch submitted a TIC of 5.3846852%; Morgan Stanley submitted a TIC of 5.3660386% and Salomon Smith Barney submitted a TIC of 5.4193678%, with the apparent winning bidder being Morgan Stanley & Co., Inc.

Chairman Murphy asked Mr. Torkelson if the bids were reviewed and in compliance. Mr. Torkelson answered yes. Mr. Gottlieb said the bids were good and reminded the committee that the total for the Series 2000S-4 Bonds was adjusted downward so the combined total of Series 2000S-4 and 2000S-5 Bonds does not exceed \$200,308,100.90. The adjusted winning bid’s aggregate principal amounted to \$124,755,000.

Mr. Martin presented proposed Resolution No. 916 to the committee.

Resolution No. 916 provides for the award of sale of State of Washington General Obligation Bonds, Series 2000S-4, in an original aggregate principal amount not to exceed \$130,452,900 (or such lesser amount which, when combined with the

original aggregate principal amount of the Series 2000S-5 Bonds, will not exceed \$200,308,100.90), as authorized by Resolution No. 914 pursuant to authority of Chapter 220, Laws of 1997, as amended, and Referendum 48.

Lt. Governor Owen moved to adopt Resolution No. 916. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 917 accepts the winning bid for the purchase of State of Washington General Obligation Bonds, Series 2000S-5; amends Resolution No. 914 to establish and confirm the description, form, maturities, and interest rates of the Series 2000S-5 Bonds; provides for the issuance and delivery of the Series 2000S-5 Bonds; and ratifies all actions taken in connection with the Series 2000S-5 Bonds consistent with the provisions in Resolution No. 914, as amended. The Series 2000S-5 Bonds are compound interest bonds; the interest will be paid at maturity.

Mr. Martin said four bids were received. Salomon Smith Barney submitted a TIC of 6.0161627%; Lehman Brothers submitted a TIC of 6.0413218%; Morgan Stanley & Co. Inc. submitted a TIC of 6.0470416% and Merrill Lynch submitted a TIC of 6.0472584%, with the apparent winning bidder being Salomon Smith Barney. Mr. Gottlieb said the bids were good and reminded the committee that the total for the Series 2000S-5 Bonds was adjusted down so that the combined total of Series 2000S-4 and 2000S-5 Bonds does not exceed \$200,308,100.90. The adjusted winning bid's aggregate principal amounted to \$70,497,818.70 and the aggregate accreted value at maturity was adjusted to \$201,415,000. Together, the debt service payments of Series 2000S-4 Bonds and the Series 2000S-5 Bonds are structured to correspond with the estimated revenues of the stadium project.

Mr. Martin presented proposed Resolution No. 917 to the committee.

Resolution No. 917 providing for the award of sale of State of Washington General Obligation Bonds, Series 2000S-5, in an original aggregate principal amount not to exceed \$70,781,934 (or such lesser amount which, when combined with the original aggregate principal amount of the Series 2000S-4 Bonds, will not exceed \$200,308,100.90), as authorized by Resolution No. 914 pursuant to authority of Chapter 220, Laws of 1997, as amended, and Referendum 48.

Lt. Governor Owen moved to adopt Resolution No. 917. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin said that proposed Resolution No. 918 establishes a second escrow account for the Stadium and Exhibition Center Account (SECA) reserve amounts and makes other appropriate changes regarding the investment and accounting for the Public Stadium Authority (PSA) payments. The Memorandum of Understanding (MOU) regarding implementation of various aspects of Chapter 220, Laws of 1997, dated August 26, 1998, by and among the Office of Financial Management (OFM), the Office of the State Treasurer, and the PSA, obligated PSA to make provision for the advance funding of amounts sufficient to meet its deferred sales and use tax obligations from any sources of funds appropriate under Chapter 220, Laws of 1997, as amended, and Referendum 48 (the Bond Act). OFM has determined that it may be necessary and in the best interest of the State from time to time to accumulate amounts in the SECA in

excess of the amount required in the succeeding 12 months for the payment of principal of and interest on the Bonds in order to ensure that there will be sufficient funds available to the State to pay debt service on the Bonds in future years. To ensure that those amounts are not invested at an unrestricted yield in violation of the Code, and to safeguard the ability of the State to treat the remaining portion of the SECA of an unrestricted yield under the Code, proposed Resolution No. 918 authorizes an amendment to and the restatement of the Escrow Agreement, to establish a second escrow account to account for the receipt, investment and reinvestment of the SECA reserve amounts, and to make other appropriate changes regarding the investment and accounting for the PSA payments. Mr. Gottlieb said there will be a big jump in debt service payments in 2018 and that the second escrow account of a restrictive yield is necessary to fully fund the anticipated debt.

Mr. Martin presented proposed Resolution No. 918 to the committee.

Resolution No. 918 authorizes the amendment and the restatement of the Escrow Deposit Agreement dated as of January 7, 2000, by and between the State and U.S. Bank Trust National Association, to establish a second escrow account to account for the SECA reserve amounts and to make other appropriate changes regarding the investment and accounting for the PSA payments.

Lt. Governor Owen moved to adopt Resolution No. 918. Chairman Murphy seconded the motion and the resolution was adopted.

Chairman Murphy said there would be a special presentation to honor the first five school districts that have applied for the School Bond Guarantee. He explained that in 1998, Dr. Ben Acker of the Castle Rock School District told him of the possibility for school districts to save considerable money if they had the same high credit rating as the State. General obligation bonds offered by school districts are voter approved and repaid from revenues from property taxes. The 1999 Legislature passed authorization for the program, and to ensure a continuing future for the program, it was brought before the voters as a constitutional amendment. The voters passed it by 66%. The first five participants are Arlington School District, Hoquiam School District, Carbonado Historical School District, Tahoma School District, and White River School District. Lt. Governor Owen read the proclamation on each certificate given to the school district representatives.

Hoquiam School District was the first district to apply under the School Bond Guarantee Program. School Board President Smith, representing Hoquiam School District, thanked the committee for the opportunity to utilize the state's higher credit rating. He said voters had approved a \$5.5 million bond sale to build a new elementary and make improvements to existing structures. Mr. Smith said the district saved \$20,000 by not having to buy bond insurance.

Superintendent Zier, representing Carbonado Historical School District, thanked the committee for the opportunity to personally give his appreciation for the savings of \$100,000 on a \$1.5 million voter-approved bond sale. He told the committee of the rapid growth the district has experienced recently. Presently, high school students from Carbonado go to White River High School.

Superintendent Hambly, representing White River School District, also thanked the committee for the opportunity to personally give his appreciation of the program. Their voters approved \$48.5 million in bonds to build a new high school, update other buildings so the middle school can move into the old high school building, and move the elementary school into the old middle school building. He said taxpayers appreciate paying less in property taxes because of the lower interest rate.

School Board Member Stan Tufts, representing the Tahoma School District, thanked the committee for the opportunity to be here and for providing the program to school districts. He said the voters approved a \$45 million bond sale. He said that by taking advantage of the School Bond Guarantee Program, it showed the school district was being financially responsible.

Superintendent Byrnes, representing the Arlington School District, said that her district's last bond sale was in 1969 and that this year voters approved a \$54 million bond sale to replace the high school and build a new elementary. She felt the taxpayers had gotten their money's worth out of the present buildings. She said the savings from the School Bond Guarantee Program provided them with options not previously open to them. She listed a couple of options, including fully equipping all the elementary classrooms, musical instruments for high school and middle school students, or books for the library. She said the children would directly benefit from this program.

There being nothing further to come before the committee, the meeting was adjourned at 10:00 a.m.

STATE FINANCE COMMITTEE  
STATE OF WASHINGTON

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Michael J. Murphy, State Treasurer & Chairman

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Gary Locke, Governor & Member

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Brad Owen, Lieutenant Governor & Member

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Allan J. Martin  
Deputy State Treasurer & Secretary